

## Department of Planning and Budget 2003 Fiscal Impact Statement

1. **Bill Number** HB2097

**House of Origin** ☐ Introduced ☐ Substitute ☐ Engrossed

**Second House** ☐ In Committee ☒ Substitute ☐ Enrolled

2. **Patron** McQuigg

3. **Committee** General Laws

4. **Title** Administration of government; long -term planning; Roadmap for Virginia

**5. Summary/Purpose:**

Establishes long -term, results based planning for state government through the implementation of the "Roadmap for Virginia's Future" process that includes: (i) developing a set of guiding principles that are reflective of public sentiment and relevant to critical decision-making, (ii) establishing a long -term vision for the Commonwealth, (iii) conducting a situation analysis of core state service categories, (iv) setting long -term objectives for state services, (v) aligning state services to the long -term objectives, (vi) instituting a planning and performance management system consisting of strategic planning, performance measurement, program evaluation, and performance budgeting, and (vii) performing plan adjustments based on public input and evaluation of the results of the Roadmap. The bill also establishes the Council on Virginia's Future to advise the Governor and the General Assembly on the implementation of the Roadmap for Virginia's Future process and repeals the Performance Management Advisory Committee.

In addition, the bill establishes the Government Performance and Results Act which requires each state agency to develop a strategic plan and provides for the Governor to submit, with the Budget Bill, strategic plan information and performance -measurement results for each agency and for the Appropriations Committee of the House of Delegates and the Finance Committee of the Senate to include agency strategic plan information and performance -measurement results when considering the budget. The strategic plans would be phased in over a period of three years beginning July 1, 2003.

Under both the House and Senate substitutes, the bill has a sunset date of July 1, 2008.

The Senate substitute increases the membership of the Council to 19, adds the Governor, the Speaker of the House and the President pro tempore of the Senate as members, and designates the Governor as chairman of the Council.

6. **Fiscal Impact Estimates:** See No. 8 below.

**7. Budget amendment necessary:**

Yes. For DPB to provide staff support for the Council, and to establish appropriations for the Council, which would be a new agency. Both the House and Senate substitutes authorize the employment of an Executive Director for the Council, which would be an additional cost, if implemented.

## 8. Fiscal implications:

The bill will have a direct fiscal impact in two areas:

- Council on Virginia's Future
- Department of Planning and Budget

In addition, there will be indirect costs on state agencies and institutions of higher education.

### *Council on Virginia's Future*

The proposal establishes the Council and requires the Council to meet at least four times per year. Under the House substitute, the Council consists of 17 members, 10 of which are members of the legislative branch or civilians appointed by the legislative branch. The Senate substitute provides for 19 members, 10 of which are members of the legislative branch or civilians appointed by the legislative branch. Under the Senate substitute, the cost for the four meetings is estimated to be at least \$10,932. This estimate assumes four one-day meetings. However, some of the duties of the Council could be more time-consuming and require additional meetings that are not included in this estimate. Two examples of the proposed duties that could be time-consuming are the requirement to complete a situational analysis on all core service areas of state government and to monitor implementation of the performance management system across state government. Thus, the estimates of the Council's costs are conservative. By way of comparison, the budget for the State Competition Council, a Council with 15 members, is \$28,000 excluding the full-time staff. In the case of the Council on Virginia's Future, full-time staffing will be provided by DPB.

Annual Cost Estimate (four one-day meetings of the Council)

Travel	\$2,432	Assumes an average of 100 miles per person at 32.5 cents and 4 meetings
Expenses	\$1,900	Lunch at \$25 for 4 meetings
Compensation	\$2,600	Assumes 13 members at \$50 per day for 4 meetings. No compensation for cabinet members.
Room rental	\$4,000	Estimate of rental space for four public meetings
Total	\$10,932	

If an Executive Director of the Council is employed, as authorized in both the House and Senate substitutes, that will be an additional cost.

### *Department of Planning and Budget (DPB)*

As part of its budget reduction plans, DPB's position level will be reduced by 10 FTEs in FY 2004. It is anticipated that three layoffs will occur. In order to effectively execute its responsibilities under this legislation, it is anticipated that DPB would require two additional staff and funding as indicated below:

Salariesand benefits	\$140,500	AssumestwoadditionalFTEswithabasesalaryof \$53,278(mid -band5)
Website development	\$15,000	AdditionalcostsincurredbytheVirginiaInformation TechnologyAgencyfortheenhancementand operationofawebsiteforthedisseminationof information(one -timecost)
Printingand postage	\$15,000	Fortheexpansion oftheBudgetBillandtheannual printingoftheCouncil'sscorecardandexecutive summary
Travel	\$260	Assumesanaverageof100milesperpersonat32.5 centsandfourmeetings
<b>TotalDPBcosts</b>	<b>\$170,760</b>	

#### *StateAgencies .*

The substitute bill retains most of the details with regard to agency strategic planning. It does, however, phase in the planning over a three -year period.

In order to more accurately assess the fiscal impact of the bill, DPB surveyed 15 agencies. Of the 15 agencies surveyed, 10, or two -thirds, indicated that the proposal would have a direct fiscal impact on their agencies. These fiscal impacts ranged from hiring part time staff in order to supplement existing staff to adding additional full time positions. One agency mentioned that due to budget reductions it had laid off a staff person used for strategic planning and would need to replace this individual.

Based on the survey, there will be additional requirements placed on agencies, which will result in some inherent costs. The surveyed agencies reported an average cost ranging from a low of \$93,000 per agency to a high of \$126,000 per agency. The more complex the agency, the more likely there was a fiscal impact. (In its impact statement for the introduced bill, DPB estimated an average cost of \$8,500 per agency.) Thus, it is obvious that there will be inherent costs for some agencies which could be significant. ted

The real question is how much of such costs will be borne by the agencies as opportunity costs in which they're direct staff time and resources from other activities to meet the requirements of the bill versus actual budgetary costs in which additional funding is provided. Given the current budgetary situation, DPB believes that it is unlikely that agencies will receive much, if any, additional direct appropriations for this purpose. Therefore, DPB assumes that most of the inherent costs will come in the form of opportunity costs to the agencies. However, in some agencies, staff time and resources redirected to strategic planning will come from other priority service activities such as health care to the indigent or law enforcement activities, etc. Therefore, it is very likely that in the future requests will be made for additional dollars and staff in these priority activities to backfill staff redirected to strategic planning.

In the final analysis, it is hard to determine the fiscal budgetary impact to state agencies but the evidence suggests that there will be costs, regardless of whether they are funded in the current budget.

**9. Specific agency or political subdivisions affected:**

All state agencies.

**10. Technical amendment necessary:**

See reference in Other Comments below in regard to the effective date of the bill.

**11. Other comments:**

The Council is established as an advisory council within the executive branch of state government. Under the House substitute, ten of these seventeen members are legislative members, with the remaining seven appointed by the Governor. The Senate substitute increases the membership to 19, ten of which are legislative members. The Senate substitute adds the Governor, Speaker and President pro tem to the membership. Also, an executive agency, the Department of Planning and Budget, is to provide staff support to the Council. Three legislative agencies: Joint Legislative Review and Audit Commission, and the staff of the House Appropriations and Senate Finance Committees are to provide additional assistance as needed.

The proposed bill will be effective July 1, 2003. Agencies are to develop strategic plans over a 3-year period beginning July 1, 2003, and ending July 1, 2006, with one-third of state agencies to do so each year. Agencies are to provide annual strategic plans by December 1 to the Council on the Virginia's Future. The December 1 date would be too late for the strategic plans to have impact on Executive Budget development, since the Governor's budget recommendations are due on December 20 of each year.

The proposed bill requires Council to submit, beginning on November 1, 2004, and annually thereafter, a balanced accountability scorecard to the General Assembly and the Governor. It is unclear how the first scorecard will be able to address statewide issues with a review of all agency strategic plans. The bill also lacks a definition of "balanced accountability scorecard."

Section 2.2- 5510 requires each agency to post its strategic plan on the Internet. It is unclear if the public posting of the plan is before final budget decisions are made and submitted in the Governor's budget on December 20. Also, the budget decision process and subsequent General Assembly action could impact, alter or change the agency's proposed strategic plan.

**Date:** 2/14/03jbc

**DocumentG:** \03Bills\FIS \HB2097S1.Doc JimCook

cc: Secretary of Finance

